

SYSTEM AND METHOD FOR ELECTRONICALLY PROVIDING CUSTOMER SERVICES INCLUDING PAYMENT OF BILLS, FINANCIAL ANALYSIS AND LOANS

RELATED APPLICATIONS

This is a continuation of co-pending Application for United States Letters Patent Serial No. 08/372,620, filed January 13, 1995, which will issue as U.S. Patent No 5,873,072 on February 16, 1999, which was a continuation of co-pending application for United States Letters Patent Serial No. 07/736,071, filed on July 25, 1991, which issued as United States Patent No. 5,383,113 on January 17, 1995, each having the common assignee of the present invention and each incorporated herein by reference for all purposes.

BACKGROUND AND SUMMARY OF THE INVENTION

The present invention relates generally to apparatus and methods for paying bills. More particularly, the present invention is a computerized system for paying bills whereby a consumer may contact a single source from a remote location via a telephone, a computer terminal with modem, or other electronic means, to direct the single source to pay the consumer's bills instead of the consumer writing checks for each bill. A microfiche appendix has been submitted with the parent case of this Application Serial No. 07/736,071, which issued as United States Letters Patent No. 5,383,113 on January 17, 1995, which contains

1 the program code of the present invention and which in its entirety is incorporated herein by
2 reference. An additional hard copy of the appendix is attached as Exhibit A.

3 It has been common for many years for consumers to pay monthly bills by way of
4 a personal check written by the consumer and sent by mail to the entity from which the bill
5 or invoice was received. Consumers have used other ways to pay bills, including personally
6 visiting the billing entity to make a cash payment. In today's economy, it is not unusual for
7 a consumer to have several regular monthly invoices to pay. Writing individual checks to
8 pay each invoice can be time-consuming and costly due to postage and other related
9 expenses.

10 A need exists for a method whereby a consumer can contact a single source and
11 inform the source to pay various bills of the consumer, to have the source adjust the
12 consumer's account with the consumer's financial institution (i.e., bank, credit union, savings
13 and loan association, etc.) to reflect a bill payment, and to actually pay the billing entity a
14 specified amount by a particular time. The system should be efficient and not unreasonably
15 expensive and relatively simple for a consumer to interact with. Some banks have attempted
16 to provide a service for making payment to a few billing entities to which the banks have
17 established relations. The banks that do provide that type of service are limited in that they
18 provide the service only for their own customers since the banks have not developed a
19 system for accurately acquiring and processing account numbers and balances of customers
20 of all other banking institutions and coordinating that information with bill payment.

1 Furthermore, banks have not developed a system for managing the risks involved in
2 providing such a service and the inherent complexities of providing the service to consumers
3 other than the bank's own customers. Therefore, a need exists for a single source bill
4 payment system that would be available to any consumer, regardless of where the consumer
5 banks and regardless of what bills are to be paid.

6 The present invention is designed to fulfill the above listed needs. The invention
7 provides a universal bill payment system that works regardless of the consumer's financial
8 institution and bill to be paid. The present invention provides a computerized system by
9 which a consumer may pay bills utilizing the telephone, a computer terminal, or other
10 electronic, data transmission means. Transactions are recorded against the consumer's
11 account wherever he or she banks. The consumer may be an individual or a business, large
12 or small. The present invention works regardless of where the consumer banks.

13 The method of the present invention includes: gathering consumer information and
14 creating a master file with banking information and routing codes; inputting payment
15 instructions by the consumer at a convenient location (e.g., at home), typically remote from
16 the payment service provider, by using an input terminal such as a push-button telephone;
17 applying the payment instructions to the consumer's file; using computer software of the
18 present invention to examine various files to determine such things as what is the appropriate
19 form of payment based on variables involving banking institutions and merchants;
20 comparing each transaction against a dynamic credit file and routing based on set parameters;

1 and, if the payment system determines that everything is ready for payment to be made,
2 adjusting the consumer's account (usually by debiting) and making payment directly to the
3 billing entity. The single source service provider for consumer bill payment could be any
4 entity with the capability to practice the invention as described hereinafter. The foregoing
5 and other objects and advantages will become more apparent when viewed in light of the
6 accompanying drawings and following detailed description.

7 BRIEF DESCRIPTION OF THE DRAWINGS

8 Figure 1 is a diagrammatical representation of the creation of a consumer database;

9 Figure 2 is a diagrammatical representation of the establishment of a merchant's
10 (billing entities) database and the making of payments;

11 Figure 3 is a diagrammatical representation of the creation of a consumer pay table;

12 Figures 4a is a diagrammatical representation of a payment processing cycle;

13 Figure 4b is a continuation of the diagram of Figure 4a;

14 Figure 4c is a continuation of the diagram of Figure 4b;

15 Figure 5 is a diagrammatical representation of a computer hardware system that may
16 be used for accomplishing the present invention; and

17 Figure 6 is a diagrammatical representation of another computer hardware system that
18 may be used for accomplishing the present invention.

1 DESCRIPTION OF PREFERRED EMBODIMENT(S)

2 Referring now to the drawings, Figure 1 illustrates the steps in the creation of a
3 consumer database for use with the present invention. The first step in the process is to
4 establish a consumer's data records on the system. This may be accomplished by the
5 consumer completing an authorization form 20 which would contain the needed information
6 to input into the system concerning the consumer. This information may include the
7 consumer's name, address, telephone number and other applicable information. The
8 consumer would also provide a voided check from the consumer's personal checking
9 account. The consumer's information may then be manually input via a keyboard 52 into the
10 consumer database record 22. Default amounts may be set for an individual credit line
11 parameter and for a total month-to-date parameter. These amounts establish the maximum
12 unqualified credit risk exposure the service provider is willing to accept for an individual
13 transaction and for the collective month-to-date transactions of a consumer. As explained
14 hereinafter, the service provider may be at risk when paying a consumer's bills by a check
15 written on the service provider's account.

16 From the voided check, the consumer's bank routing transit and individual account
17 numbers at an institution are input into the computer system. This information may be edited
18 against an internal financial institutions file (FIF) database 24 of the present invention. FIF
19 24 is a database of financial institutions' identification codes and account information for the
20 consumer. This file edits the accuracy of the routing transit number and the bank account

1 number. If the numbers do not correspond with the correct routing and bank numbers, they
2 are rejected and the data entry is done again. FIF 24 in conjunction with the software of the
3 present invention also updates the consumer database 22 for both electronic and paper draft
4 routing and account information. The needed information may be obtained from each
5 banking institution and each consumer.

6 The consumer is notified by the service provider of his or her local phone number
7 access and personal security code for informing the service provider that a bill is to be paid.
8 This information may be stored in a phone access table 26. The personal security code may
9 be much like an ATM machine four digit code. In addition, to comply with federal law, an
10 electronic pre-note 28 will be created to be sent to the consumer's bank to inform the bank
11 that the service provider is authorized to debit the consumer's account. For further security
12 to the service provider, a consumer credit record 30 may be obtained. The default credit
13 limit amounts over which the service provider may be unwilling to assume financial risk may
14 be modified based on the information obtained from the credit report 30.

15 In Figure 2 the steps are shown for establishing merchants to be paid and the making
16 of a payment. The consumer must inform the service provider or processor of a merchant's
17 name, address, phone number and the consumer's account number with the merchant 32.
18 The term "merchant" as used herein is intended to pertain to any person or entity that the
19 consumer wishes to pay and is not to be limited to the usual merchants most consumers pay,
20 such as the electric company, a home mortgage lender, etc. This information is put into a

1 merchant master file database 42 (MMF). The consumer may also indicate whether the
2 merchant is a variable or fixed merchant. A variable merchant is one in which the date and
3 amount of payment will vary each month. A fixed merchant is one in which the date and
4 amount remain the same each month. If the merchant is fixed, the frequency of payment
5 may be other than monthly, such as weekly, quarterly, etc. The consumer should inform the
6 service provider of the date on which the merchant is to be paid and the amount to be paid.

7 Through a telecommunications terminal 34 (e.g., a push-button telephone or
8 computer terminal), a consumer may initiate payment of bills. Through the terminal, the
9 consumer may access his merchant list and input the payment date and amount. The system
10 may be provided with a payment date editor 36 to insure that the date is valid and logical
11 (i.e., payment dates already in the past or possibly a year or more into the future would be
12 questioned). As payments are initiated, a consumer "checkbook register" may be created and
13 automatically updated to reflect this activity. The merchant list can be visible on the
14 consumer's personal computer screen. On a personal computer a consumer may enter
15 merchant payment amounts and payment dates on the computer screen and then transmit this
16 information to the service provider.

17 By telephone, the list may be presented by programmed voice. The voice may be
18 programmed to ask the consumer if a particular merchant (selected from the consumer's
19 MMF, which may be updated from time to time) is to be paid and to tell the consumer to
20 press 1 if yes, or press 2 if no. If yes, the voice may instruct the consumer to enter the

1 amount to be paid by pressing the numbers on a touch tone phone. The asterisk button could
2 be used as a decimal point. After the amount is entered, the voice may ask the consumer to
3 enter the date on which payment is to be made to the merchant. This may be accomplished
4 by assigning each month a number, such as January being month 01. The consumer may
5 then enter month, day and year for payment. The programmed voice may be accomplished
6 with a VRU (voice response unit) available from AT&T or other vendors. It may
7 communicate with a data processor to obtain consumer information. At the end of the
8 consumer's session on the terminal a confirmation number may be sent to the consumer,
9 providing a record of the transaction.

10 In Figure 3 the steps are shown for the creation of the consumer pay table 38 and
11 making updates to it. The consumer's files may be received at the service provider on a front
12 end processor 40 that interfaces with the telecommunications network. The consumer's
13 records may be edited 44 for validity by comparing to the merchants' account scheme. Any
14 new merchant records are added to the consumer's pay table. New merchants are compared
15 to the MMF 42 and appropriately cross-referenced to the pay table to check if a merchant
16 record already exists. If no merchant record exists, a merchant record will be created on the
17 MMF 42.

18 Payment records may also be received on the service provider's processor. The
19 payment may first go through a validation process against the pay table. The validation
20 process checks for duplicate payments and if duplicates are found they are sent to a reject

1 file. The validation process also verifies that merchants are set up and may check for
2 multiple payments to be paid to a particular merchant. Orders for payment go to the
3 consumer pay table to determine when the payment should be released and how it will be
4 released for payment.

5 The service provider may pay merchants by a draft or check (paper) or by electronic
6 funds transfer. To create a draft that will pass through the banking system, it must be
7 specially inked. This may be accomplished by a printer which puts a micr code on drafts,
8 like standard personal checks. For example, as shown in Figure 5, the front end processor
9 40 may be a DEC VAX which is connected to an IBM main frame 46 Model 4381.
10 Consumers may call by telephone 35, a number that passes through the private bank
11 exchange (PBX) 39 and contacts a voice response unit 41 in association with the front end
12 processor 40. After the consumer's payment instructions are received an analysis is
13 performed to determine the most cost effective and least risk mode of payment for the service
14 provider to use. One preferred mode of payment is electronic funds transfer through the
15 Federal Reserve Automated Clearing House (ACH) Network 47. If the service provider is
16 not a bank, a bank intermediary may be needed to be connected to the Federal Reserve
17 Network. Another payment mode is a charge to the consumer's credit card through the RPS
18 Network 49. Additionally, an IBM Laser Printer attached to a micr post printer 48 may be
19 used by the service provider to send drafts 76 or consolidated checks 78 to merchants. The
20 main frame 46 has data storage means 50 and runs the FIF 24 and MMF 42 programs. It

1 may also have a tape drive or telecommunication interface for accomplishing electronic
2 funds transfer. It should be recognized that various other hardware arrangements could be
3 used to accomplish the present invention. Figure 6 illustrates a similar arrangement for use
4 when the consumer is using a personal computer 37 to instruct the service provider. The
5 personal computer may access the front end processor 40 through the standard X.25 Network
6 43.

7 Referring now to Figures 4a, 4b and 4c, the payment process is shown. The payment
8 process may be cycled 56 each day or more or less frequently. The first step is to establish
9 when payment items are to be processed. This may be accomplished through a processing
10 calendar 58. A processing calendar 58 may be built into the system. The calendar 58
11 enables the system to consider each date, including weekends and the Federal Reserve
12 holidays. Payments are released from the consumer pay table 38 using the due date. Any
13 bank date, payments, or payments within a period such as four business days may be released
14 the same day. All future payment dates would be stored in the consumer pay table 38.
15 On-line inquiry may be made on the consumer pay table 38. The service provider has on-line
16 capability to make changes to the consumer payment upon request until the day the payment
17 is released. A consumer's merchant change may also affect the consumer's payment on the
18 pay table 38.

19 The method of payment to the merchant may be either paper (draft or check) or
20 electronic. There are several factors in the process used to determine if a payment will be

1 released as a paper item, or an ACH electronic transaction (automated clearing house; service
2 provider is a party to transaction). Each consumer may be assigned a status such as: active
3 = good; inactive = bad; and, pending = uncertain, risky. If a consumer's status is pending 60,
4 when reviewing the payment file with the processing calendar 58, the payment should go out
5 as a draft paper to protect the service provider. When payment is made by draft, the service
6 provider is not a contractual party to the transaction. The consumer's bank account codes are
7 actually encoded onto the draft prepared by the service provider and act much like the
8 consumer's personal check. The draft has been specially designed for this process. The draft
9 is payable to either the service provider or the particular merchant. This allows the draft to
10 be delivered to the merchant for payment and depositing, but allows the draft to be legally
11 payable by the bank, with proper authorization. Additionally, posting information for the
12 merchant is contained on the body of the draft. To the applicant's knowledge, it is the first
13 time a draft has been used in such a manner and with this unique design to accomplish this.
14 If the consumer's bank transit number does not indicate an electronic bank 62 (i.e. , a banking
15 institution that will accept electronic funds transfer), the program associated with FIF 24
16 sends the payment as a draft. A pre-note 28 is required any time 64 new banking information
17 is entered on a consumer and the bank shows on FIF 24 as an electronic receiving bank. The
18 pre-note period is ten (10) days under federal law. Any payments released during this period
19 are sent as paper.

1 The third manner in which the service provider may pay bills is by a check written
2 on the service provider's account. A consolidated check may be written if many customers
3 have asked the service provider to pay the same merchant. Under this method of payment
4 the service provider assumes some risk since the service provider writes the check on its own
5 account. The service provider is later reimbursed by the (consumer's) banking institution.

6 As a means of minimizing risk to the service provider, any transaction may be
7 compared to the MMF 42 credit limit. For example, if the check limit is greater than zero
8 and the payment is \$50.00 or less 66, the item may be released as electronic 74 or by service
9 provider check 78. If the payment is greater than \$50.00 but less than or equal to the
10 merchant credit limit 68, the payment may be released as electronic payment 74 or check 78.
11 Any payments within the merchant's credit limit 70 are added to the consumer's monthly
12 ACH balance 72. This provides a monthly total billing day to billing day summary of the
13 consumer's electronic payment activity. Any transaction may be compared to the
14 consumer's database credit limit parameters. If a payment amount is greater than the
15 consumer's credit limit, the item is released as a draft 76 which is written on the consumer's
16 account. If the payment amount plus the total of electronic payments in a particular month
17 is greater than the consumer's credit limit, the item is released as a draft 76. Items not
18 released as paper are initiated as an ACH debit against the consumer's account.

19 The consumer database may be reviewed for proper electronic funds transfer (EFT)
20 routing. Payment to the merchant may be accomplished one of three ways, depending on the

1 merchant's settlement code. Various merchant's settlement codes may be established. For
2 example, a merchant set up with a settlement code "01" results in a check and remittance list
3 78 being mailed to the merchant. Merchants with a settlement code, such as "10" produce
4 an ACH customer initiated entry (CIE). Merchants with a settlement code, such as, "13"
5 produce a remittance processing system (RPS) credit.

6 In the consumer pay table, for fixed payments, a payment date gets rolled to the next
7 scheduled payment date on the pay table. The number of remaining payments counter is
8 decreased by one for each fixed payment made. For variable payments once made, the
9 payment date is deleted on the consumer pay table. The schedule date and amount on the
10 consumer pay table roll to zero. A consumer payment history may also be provided which
11 show items such as process date as well as collection date, settlement method, and check
12 number in addition to merchant name and amount.

13 The software of the present invention is designed in part to make several decisions
14 relating to particular transactions for consumers. The following example is provided to more
15 fully describe the software. This example is not intended to limit the application to the
16 details described in the example and is only provided to further enhance the description of
17 the invention already stated above.

18 For this example, assume that a consumer has five transactions of varying amounts
19 for which the consumer has asked the service provider to arrange payment. For simplicity,
20 assume that the five payments are to be made on the same day. First, the consumer database

1 22 is edited to validate the status, banking institution, and pre-note flags associated with the
2 consumer's requested payments. The account numbers provided by the consumer for the
3 merchants to be paid, are also checked to determine if they are valid. Assuming the
4 merchant account numbers are valid, the program begins with the first dollar analysis.

5 For purposes of this example, the five payments the consumer has requested are in
6 the amounts of: \$25.00; \$75.00; \$150.00; \$250.00; and \$1,000.00. The program will
7 consider each dollar amount individually as it goes through the various edit modes. The first
8 edit may be called a \$50.01 edit. In this example, any transaction that is less than \$50.01
9 is automatically sent as an ACH debit to the consumer's account. This means that the service
10 provider uses ACH to electronically transfer funds from the consumer's account to the
11 service provider's clearing account.

12 In this example, the initial payment of \$25.00 will satisfy the \$50.01 edit and
13 therefore will be paid without any further edits being conducted for this particular payment.
14 Continuing with the example, the next edit may be a merchant dollar edit that is established
15 for the specific merchant to which the transaction is being sent. For purposes of this
16 example, this edit is set at \$100.00 for all merchants. Different dollar edits can be
17 incorporated for different merchants. In the example, the second payment request of the
18 consumer, for \$75.00, meets the \$100.00 merchant edit parameter and is sent as an ACH
19 debit to the consumer's account. Note that the \$75.00 payment would not have satisfied the

1 \$50.01 edit and therefore would have passed on to the second edit which in this case, is the
2 merchant dollar edit.

3 The remaining three payments in the example exceed both the \$50.01 edit and the
4 merchant \$100.00 edit and therefore, go to the next edit. In the example, the next edit is for
5 a consumer individual transaction limit set at \$200.00. The \$150.00 payment is less than the
6 \$200.00 consumer individual transaction limit and is, therefore, sent as an ACH debit to the
7 consumer's account and paid. The other two remaining payments yet to be made exceed the
8 \$200.00 limit in this example and pass to the next edit.

9 In the next edit, which happens to be the last edit in the example, the consumer's
10 month-to-date "unqualified" risk limit is checked. In the example, the month-to-date limit
11 is set at \$1,500. Assume that for this particular consumer \$400.00 of month-to-date
12 payments have already been made on the consumer's behalf. Added to the \$400.00 would
13 be the three payments made above for \$25.00, \$75.00 and \$150.00. So an additional \$250.00
14 is added to the \$400.00 month-to-date for a total of \$650.00 "unqualified" risk for the current
15 month-to-date amount. The next payment to be made is for \$250.00 and would fall within
16 the \$1,500 month-to-date limit when added to the current \$650.00 risk amount. Therefore,
17 the \$250.00 payment is made and an ACH debit is sent to the consumer's account. This
18 brings the total month-to-date "unqualified" risk amount to \$900.00. The final \$1,000
19 payment has not been paid and would send the "unqualified" risk amount over \$1,500 when
20 added to the \$900.00. Since the final payment of \$1,000 in the example fails the consumer

1 month-to-date limit edit, the \$1,000 payment would be sent as a paper draft directly drawn
2 on the consumer's account, and for which the service provider has no liability. In the
3 example, the final step would be updating the consumer month-to-date current total to
4 \$900.00.

5 The apparatus for and method of bill payment of the present invention and many of
6 its attendant advantages will be understood from the foregoing description. It will be
7 apparent that various changes may be made in the form and steps thereof without departing
8 from the spirit and scope of the invention or sacrificing all of its advantages.